



Bureau of Export Administration

Overview

Mission Statement

The Bureau of Export Administration (BXA) is a regulatory agency that promotes U.S. national and economic security, public safety, and foreign policy interests by managing and enforcing the Department's security-related trade and competitiveness programs.

Strategies and Activities

BXA is working to bring U.S. export controls in line with evolving U.S. national security and foreign policy objectives. Restructuring export controls for the 21st century will result in a relatively shorter dual-use commodity control list. Streamlining the application system for controlled items helps prevent illegal transactions and expedites the license processing cycle for U.S. companies. In addition, by rendering prompt decisions, BXA strengthens the international competitive position of U.S. firms. BXA is also developing means to strengthen its law enforcement program and its efficiency as a regulatory agency. BXA takes a preventive approach to deter high-risk transactions. To reduce the number of potential license requests for unacceptable products, BXA is expanding educational outreach to its stakeholders through visits, conferences, and seminars to heighten their understanding of export controls and, as a result, strengthens industry compliance. It also is conducting on-site visits to end-users of selected goods to ensure that products are being employed in the authorized manner.

BXA is increasing the number of bilateral and multilateral nonproliferation and export control technical, executive, and educational exchanges it conducts with the governments of nations where there is a significant risk of export or transit of sensitive goods and technologies but which do not have fully competent export control systems. BXA is working to the extent of its resources to assist these nations to attain competence in all five functional areas of effective export control systems: legal and regulatory frameworks, licensing procedures and control lists, enforcement mechanisms, industry-government relations, and systems administration and automation.

Finally, BXA is facilitating the transition of defense industries to productive peacetime activities without compromising our technological leadership. At the same time, BXA is assisting in promoting the continued viability of high-tech firms through the development of innovative product lines and new commercial avenues for former defense manufacturers.

BXA Performance Goal 1: Restructure export controls for the 21st century

Rationale for Performance Goal:

BXA strives to streamline the application processing system and educate the U.S. exporting community in requirements of the Export Administration Act (EAA) and the Export Administration Regulations (EAR):

- To prevent illegal transactions by means of a more effective control system
- To improve U.S. exporter competitiveness in the global marketplace by helping exporters meet shipping deadlines and reduce transaction costs
- To improve U.S. exporter competitiveness through prompt export licensing decisions

BXA also strives to strengthen foreign national export control systems to reduce proliferation of controlled commodities that are produced locally or are being transshipped:

- To ensure that sensitive technologies are not inappropriately transferred outside the U.S.
- To provide a level playing field internationally through the development of export control systems meeting international standards in all countries thought to be significant exporters or transshippers of sensitive goods and technologies

FY 1999 Performance

Measure 1.a:

Number of high-risk transactions deterred

The number of high-risk transactions that BXA reviewed and subsequently denied is based upon a careful risk assessment. There are several ways in which such assessments are conducted. License applications are reviewed based on the control number, the reasons for the controls (national security, foreign policy, antiterrorism, etc.), the end-user, and the end-use. Control lists are cross-checked to determine if any of the parties to the transaction are denied or listed entities. In most cases, the case is referred to the interagency community for its review as well. This includes input from the intelligence community to help determine the likelihood that the export will be used for purposes other than intended or is contrary to U.S. policies. Also considered are factors such as the likelihood of diversion, the practices of the end-user, and the inability or unwillingness of an exporter to agree to certain conditions which may be required if a transaction is to be approved. U.S. security is enhanced through the judicious implementation of controls on transfers of materials, equipment, technology, and software that could be used for weapons applications.

FY 1999 Target	504
FY 1999 Actual	1,160
Analysis	Target exceeded. Normally, rejected applications average between two and three percent of all licensing decisions. The current average of nine percent for rejections is primarily due to newly imposed sanctions on India. The new restrictions were unfamiliar to many exporters, some of whom learned of them only after submitting license applications. Of the 1,160 rejections during FY 1999, 86 percent involved India. This significant increase in rejections also had a negative impact on average processing time as noted below.

Data Validation and Verification

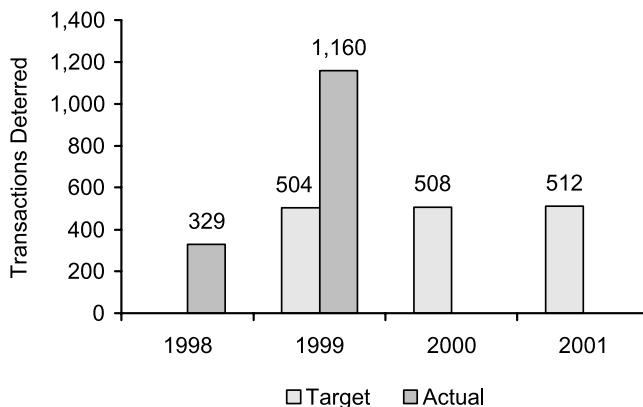
Data source: Export Control Automated Support Systems (ECASS)

Frequency: Annual

Data storage: ECASS

Verification: ECASS contains appropriate system edits. ECASS is also open to audit by GAO and the IG. Data are queried for retrieval through the Licensing Officer Access subsystem or generated via hardcopy through the Reports subsystem.

Number of High Risk Transactions Deterred



Measure 1.b: Number of licensing decisions

This measure counts the total number of applications that were approved, denied or returned without action (RWA) during the fiscal year. Upon receipt, license applications are reviewed for completeness (front-end review) and entered into ECASS, BXA's electronic processing system. If the application is incomplete, additional information is requested from the exporter before proceeding. If complete, the application is screened against an automated list of end-users of concern and forwarded to the appropriate licensing and enforcement specialists for a complete analysis of the application. This includes review against available intelligence information and required referrals to other export control agencies, and subsequent policy reconsideration/

determination. The number of export licensing decisions is the best measurement for the scope of the dual-use export control system as it relates to trade in advanced goods and technology.

FY 1999 Target	12,000
FY 1999 Actual	12,598
Analysis	Target met. Assumptions were valid.

Data Validation and Verification

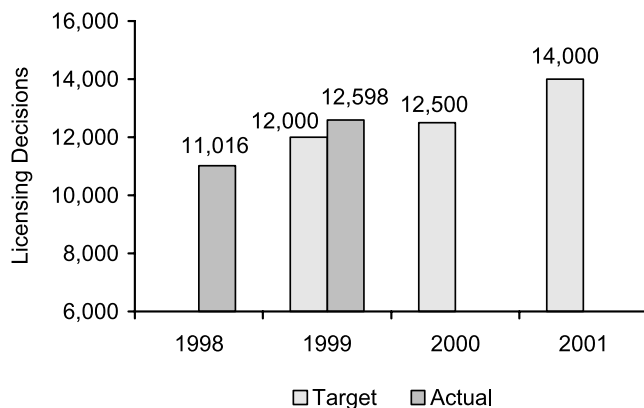
Data source: ECASS

Frequency: Annual

Data storage: ECASS

Verification: ECASS contains appropriate system edits. ECASS is also open to audit by GAO and the IG. Data are queried for retrieval through the Licensing Officer Access subsystem or generated via hardcopy through the Reports subsystem.

Number of Licensing Decisions



Measure 1.c:

Average processing time (days) for license applications

This measure reflects the average number of calendar days that elapsed between registration of, and final action on, all applications processed during the fiscal year, regardless of the date received. The less time it takes to process a license application, the sooner an exporter can ship its product. This enhances exporter finances by speeding revenue production time and reducing storage costs, and enables the exporter to make timely shipment and thereby compete more successfully with foreign competitors. U.S. exporters lose sales if a foreign competitor can ship a product faster.

FY 1999 Target	33
FY 1999 Actual	40
Analysis	Target substantially met (83%). The increase to 40 days is due to: (1) the intelligence review period (average 17 days for the fiscal year); (2) the increase in license applications and National Defense Authorization Act notifications; (3) the significant increase in referral cases (86 percent of the total cases for FY 1999), which had an average processing time of 43 days; and (4) the majority of cases have conditions that require additional time to craft workable agreements between the exporter, BXA, and the other reviewing Government agencies.

Data Validation and Verification

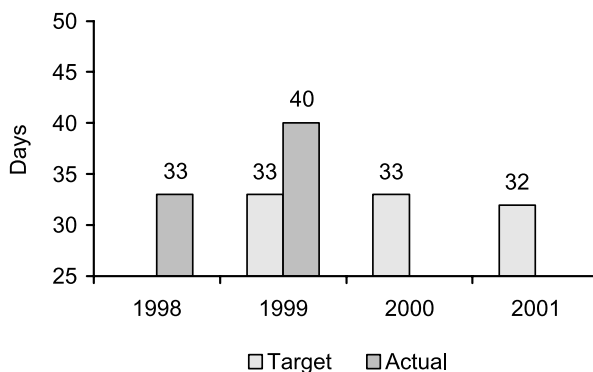
Data source: ECASS

Frequency: Annual

Data storage: ECASS

Verification: ECASS contains appropriate system edits. ECASS is also open to audit by GAO and the IG. Data are queried for retrieval through the Licensing Officer Access subsystem or generated via hardcopy through the Reports subsystem.

Average Processing Time for License Applications



Measure 1.d:

Number of export assistance seminars/conferences

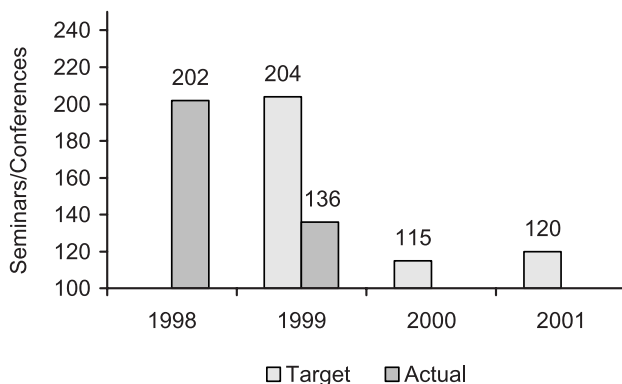
This measure counts the number of training events in which BXA either is a sponsor or participant and reflects the transfer of knowledge from the government to the private sector regarding export control requirements. The BXA outreach program to the domestic and international business communities encourages compliance with EAR. Seminars also heighten business awareness of Administration objectives and improve compliance with regulatory requirements. In support of BXA's goal to "Facilitate Transition of Defense Industries," these seminars also help identify market opportunities for firms in the U.S. defense industrial base, and identify those firms that could benefit from BXA advocacy and defense industrial base programs.

FY 1999 Target	204
FY 1999 Actual	136
Analysis	Target substantially met (67%). The decrease in actual performance was due to several factors including: unanticipated shortages in staff, high volumes of FOIA and other mandated information requests, and a decrease in attendance at current seminars. Decreased attendance is due in part to liberalization, streamlining, and simplification of export controls.

Data Validation and Verification

Data source: Counts of seminars and conferences from the seminar schedule published each year.
Frequency: Annual
Data storage: The Office of Exporter Services collects and stores the data.
Verification: Review of seminar schedules

Number of Export Assistance Seminars/Conferences



Measure 1.e:

Number of nonproliferation and export control international cooperative exchanges

This measure includes technical exchanges, executive exchanges, symposia, fora, workshops, and training courses, assessments, and other multilateral and bilateral activities in which BXA has the lead or a primary role. These exchanges are the primary means by which BXA implements its nonproliferation and export control cooperation programs with foreign governments. This measure records the number of exchanges and not the number of countries participating. If one exchange involves multiple countries (e.g., the annual "Symposium for Foreign Export Control Officials" and "Update") the exchange is nonetheless counted as one item.

FY 1999 Target	42
FY 1999 Actual	46
Analysis	Target exceeded. Actual performance did not vary significantly from the target. The increase of four exchanges was due to the receipt of unexpected mid-year funding from another agency to enable expansion of industry – government exchange programs.

Data Validation and Verification

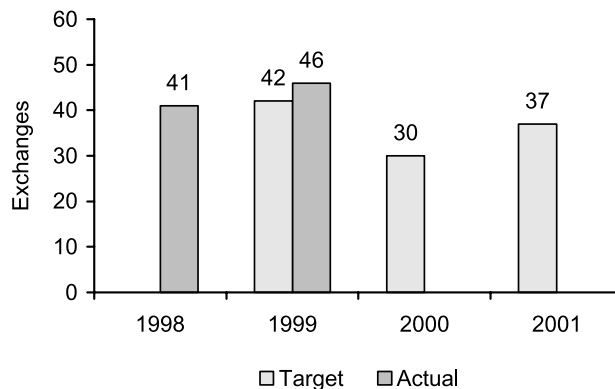
Data source: Nonproliferation Export Control (NEC) Team activity files, reporting cables, and other files

Frequency: Annual

Data storage: NEC collects and stores the data.

Verification: Independent auditors verified the content of NEC outputs.

Number of Exchanges



FY 1999 Program Evaluation for BXA Performance Goal 1

BXA developed a performance management approach pursuant to the Government Performance and Results Act (GPRA) of 1993, to determine success and failure of its international cooperative export control activities. The approach links inputs (time, money and staff) and outputs (technical exchanges in each of five substantive fields) to desired outcomes that increase the effectiveness of national export control systems in target nations. Staff collects and analyzes evidence (legislation, procedures, control lists, etc.) to determine achievement of the 39 desired outcomes.

BXA was credited with hard work and timely response in providing the export licenses for the encryption items necessary for a U.S. consortium to win a bid on a major Public Key Infrastructure (PKI) project in Hong Kong. This contract should help dispel the perception in the information technology industry that the U.S. Government is reluctant to provide the licenses necessary for electronic commerce initiatives. The five licenses submitted by U.S. firms for this project were approved with an average processing time of 35 days. One of the licenses was approved in 23 days. The changed perceptions concerning U.S. licensing policy for encryption resulting from this case should lead to more opportunities for U.S. businesses engaged in this important industry to make sales of encryption hardware and software.

At the Missile Technology Control Regime (MTCR) annual meeting in Paris on June 3-4, 1999, the BXA representative participated in the resolution of an impediment to the approval of several pending missile-related export cases for Israel through discussions with Austria, a MTCR partner. If this issue had not been satisfactorily resolved, denial of the pending U.S. cases would have jeopardized longstanding business relationships between Israeli and U.S. companies.

Since the implementation of the Simplified Network Application Program (SNAP), up to 46 percent of export license applications have been submitted to BXA via the Internet. SNAP reduces delays for the exporter and is more cost-effective for BXA since it eliminates the expensive and error-prone process of transferring data from paper applications. SNAP accepts most applications and notices that exporters must submit to BXA. During the same period, 41 percent of requests for advisory opinions and commodity classifications came through SNAP.

The Office of Management and Budget (OMB) approved BXA's request for a streamlined process for collecting national security information from the U.S. defense industrial base. BXA now has general, multi-year OMB approval for BXA survey authority. BXA will therefore be able to reduce the time required to obtain collection approval from five months to less than one month. This will enable BXA to respond quickly to national security issues as they arise, and make policy recommendations in a more timely manner. The streamlined process will also be less burdensome for BXA, as well as OMB, consolidating multiple information collection activities under a single, perpetual authority.

The Government Printing Office (GPO) has arranged a grant through the Federal Depository Library that will allow GPO to provide the public free electronic access to Export Administration Regulations, via the Internet, at no cost to BXA or the public. The total annual savings to Commerce and the taxpayers will be \$70,000, in addition to the \$126,000 savings to industry for free electronic access to EAR.

**BXA Performance Goal 2:
Maintain a fully effective law enforcement program to protect U.S. national security and public safety, uphold U.S. foreign policy, and ensure the nonproliferation of dual-use commodities and chemical weapons**

Rationale for Performance Goal:

A number of aggressive investigation and verification activities are aimed at deterring export control violations, and imposing criminal or administrative sanctions on violators.

BXA conducts outreach visits and conferences sponsored by trade and business associations and continuing legal education institutions. These outreach efforts support the *Department Strategic Goal One: Expand Economic Growth, Trade, and Prosperity* initiative while protecting important national security and foreign policy interests by helping exporters understand export control regulations.

FY 1999 Performance

Measure 2.a:

Number of enforcement outreach visits

As part of their preventive enforcement mission, BXA Special Agents visit U.S. firms under "Project Outreach." During each outreach visit, the Special Agents educate the firm about BXA's enforcement program and seek the firm's voluntary cooperation in detecting potential illegal transactions. Antiboycott outreach occurs in the form of presentations to organizations concerning compliance with the Antiboycott provisions of the EAA. These outreach efforts focus on conferences sponsored by trade and business associations and continuing legal education institutions.

FY 1999 Target	900
FY 1999 Actual	1,199
Analysis	Target exceeded. As a result of new Special Agent hires, BXA was able to conduct more outreach visits during FY 1999 than anticipated. While exceeding the fiscal year target, the actual performance decreased slightly from FY 1998 to FY 1999 due to shifts in effort from outreach visits to investigative work. This decrease is expected to continue as the newer Special Agents become more experienced, devoting more of their time and effort to developing and completing investigations.

Data Validation and Verification

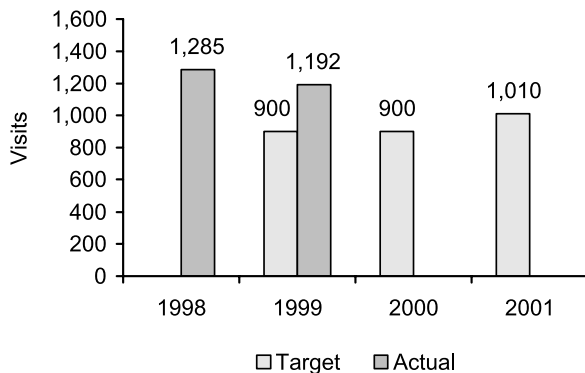
Data source: Enforce subsystem of ECASS and paper files; agents' monthly activity reports.

Frequency: Annual

Data storage: The Office of Export Enforcement (OEE) collects and stores the data in Enforce and its case files.

Verification: Following an outreach visit, the Special Agent enters the data in Enforce. The Special Agent in Charge countersigns each entry. The Antiboycott data are verified via manual count of entries in Office of Antiboycott Compliance (OAC) case files.

Number of Enforcement Outreach Visits



Measure 2.b:

Number of investigations completed

When there is reason to believe that the EAA and the EAR have been violated, BXA criminal investigators and Antiboycott Compliance Officers initiate a formal investigation and open a case file. Investigations result in a criminal or administrative penalty, a warning letter for minor infractions, or closing of the case if no violation is found. This output measure covers one of the most important features of our law enforcement program, namely, the pursuit of an investigation to a proper conclusion based on the facts and law.

FY 1999 Target	1,300
FY 1999 Actual	1,046
Analysis	Target substantially met (82%). In FY 1998, BXA was able to close a significant number of less complicated investigations due to an increase in staffing. However, in FY 1999, the cases under investigation were more complex, with the result that it required more time to develop and bring cases to completion.

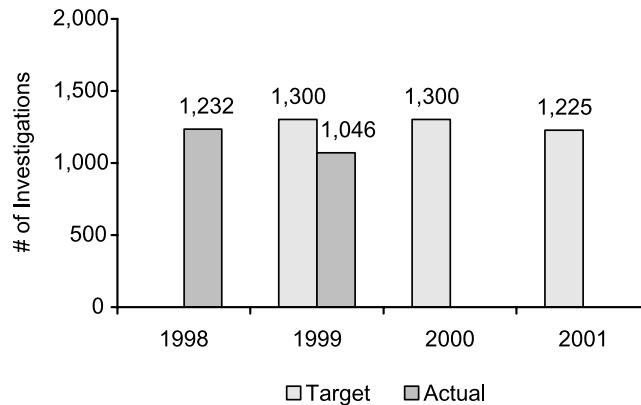
Data Validation and Verification

Data source: Enforce subsystem of ECASS and case management database.

Frequency: Annual

Data storage: The OEE collects and stores the data. Cases are also tracked in Enforce.

Verification: Data are obtained through a query of Enforce using the investigative tracking system. This query reflects the total number of cases completed during FY 1999. The investigating Special Agent enters these data into Enforce during and upon the completion of the investigation. Each entry is countersigned by the Special Agent in Charge, thereby providing a complete verification of the data entered. The data for the annual report are developed via an Enforce query verified by a manual count of entries. The Antiboycott data are verified via manual count of entries in OAC case files.

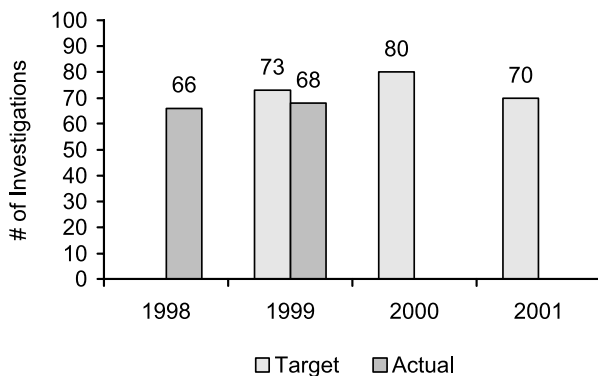
Number of investigations completed**Performance Measure 2.c:****Number of investigations accepted for criminal or administrative remedies**

This measure refers to investigations accepted by U.S. Attorney offices for criminal prosecution and/or by the Chief Counsel for Export Administration (OCC/EA) for administrative sanctions.

FY 1999 Target	73
FY 1999 Actual	68
Analysis	Target met (93%). The number of investigations accepted did increase from the FY 1998 level of 66 investigations accepted. As the newly hired Special Agents become more familiar with complex investigations and more adept in handling them, there will be an increase in the investigations accepted for criminal and administrative remedies.

Data Validation and Verification

Data source:	Enforce subsystem of ECASS and case management database.
Frequency:	Annual
Data storage:	The OEE and the OCC/EA collect and store the data. Case status information is reconciled quarterly.
Verification:	Data are obtained through a query of Enforce using the investigative tracking system. To obtain the total number of cases accepted for criminal prosecution, the case action query program is used, which reflects cases accepted by the U.S. Attorney offices. These data are entered by the Special Agent and countersigned by the Special Agent in Charge. To obtain the total number of cases accepted for administrative remedies, the administrative action query is used, which reflects cases accepted by the OCC/EA. The OCC/EA enters these data. Validation is accomplished manually by counting the entries in the system. The Antiboycott data are verified via manual count of entries in OAC casefiles.

Number of Investigations Accepted
Performance Measure 2.d:
Number of end-use visits

A key element of BXA's enforcement activity is conducting on-site visits to foreign end-users of selected goods and technologies exported under the EAR. End-use visits consist of pre-license checks (PLCs) and post-shipment verifications (PSVs). PLCs are performed prior to issuance of licenses by BXA and are generally performed by U.S. & Foreign Commercial Service (US&FCS) personnel. US&FCS officials and BXA Special Agents perform post-shipment verifications to ensure that the products are being used by the authorized end-users for the authorized end-uses.

This output measure supports the following goals:

- Maintaining an effective law enforcement program, by determining the legitimacy of controlled export transactions
- Improving public knowledge of and compliance with export regulations, by educating foreign consignees of U.S.-origin items
- Increasing cooperation with domestic and international law enforcement, export control and policy organizations, by sharing information with law enforcement counterparts located in countries where the visits are conducted

FY 1999 Target	680
FY 1999 Actual	869
Analysis	Target was exceeded significantly. This was largely due to two circumstances related to mandated high performance computer (HPC) PSVs: 1) a statutory mandate requiring us to divert enforcement resources to conduct PSVs on transactions with a low risk of diversion; and 2) a negotiating breakthrough which significantly increased the number of checks that could be performed in one of the countries for which HPC PSVs are required.

Data Validation and Verification

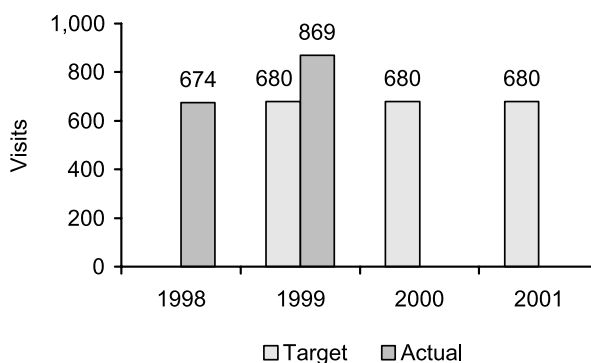
Data source: Enforce subsystem of ECASS, ad hoc programs, and a PC database for high performance computer (HPC) end-use checks.

Frequency: Annual

Data storage: The OEE and the Office of Enforcement Analysis (OEA) collect and store the data. OEE and US&FCS personnel make and document visits. OEA performs data entry into Enforce, and into a database of HPC end-use checks.

Verification: PLC data are compiled through Enforce data query programs that have built-in checks that prevent duplicative counting. PSV data for those requested by cable to U.S. embassies are queried using Enforce or by using a query of a PC database for HPC checks. OEA personnel manually verify both of these queries. Safeguard PSV checks are queried through Enforce as well. An ad hoc database, maintained by OEE/Intel, is used for verification of those data.

Number of End-Use Visits



FY 1999 Program Evaluation for BXA Performance Goal 2

During FY 1999, BXA levied over \$2 million in civil and criminal penalties on individuals and corporations in 11 cases. BXA was recognized for leadership in negotiating and implementing the U.S.-China End-Use Visit Arrangement (EUVA), a U.S. strategic objective for the past 15 years. Negotiated with senior Chinese officials, the EUVA is an extraordinary breakthrough in U.S.-China export control relations and was one of the President's most noted accomplishments at the June 1998 U.S.-China Summit. The EUVA strengthens the U.S. dual-use licensing and enforcement system and demonstrates the Department of Commerce's commitment to U.S. export control/nonproliferation goals.

BXA Performance Goal 3: Facilitate transition of defense industries

Rationale for Performance Goal:

A strong economic/industrial infrastructure is partly dependent upon the ability to transition our defense industries to peacetime activities and products, while at the same time maintaining technological superiority to support the next generation of defense systems. This is accomplished by:

- Ensuring the continued viability of U.S. firms: Develop new commercial avenues for former defense products
- Maintaining the economic viability of high tech industries: Provide the research base from which new innovations will appear
- Keeping U.S. defense firms competitive domestically and internationally: Develop new and innovative product lines

FY 1999 Performance

Measure 3.a:

Number of strategic industry analyses

These are analyses undertaken as part of the broad responsibility to support the U.S. defense industrial and technology base. They include reviews of the economic/industrial base impacts of:

- International Defense Memoranda of Understanding
- Sales/disposal from the National Defense Stockpile and of Excess Defense Articles
- Defense downsizing and base closure
- The practice of offsets in defense trade
- Unilateral export controls and foreign availability

Also included are assessments of the international competitiveness and production capabilities of strategic industries and technologies. Specific categories of analyses include the following:

- Defense Diversification and Needs Assessment Survey response referrals
- Defense Memoranda of Understanding impact reviews
- Impact of Excess Defense Article assessments
- Stockpile Disposal Market impact analyses
- Industrial Capabilities studies
- Impact of Offsets in Defense Trade analyses
- Impact of Unilateral Export Controls analyses

FY 1999 Target	295
FY 1999 Actual	352
Analysis	Target exceeded. There was a significant drop in the number of Defense Diversification and Needs Assessment Survey response referrals in FY 1998 and again in FY 1999 because this program was funded in prior years by the Economic Development Administration, which is no longer providing funding for its continuation. The excess number of analyses completed over the FY 1999 number targeted is a result of the number of Excess Defense Article cases referred by the Defense Department.

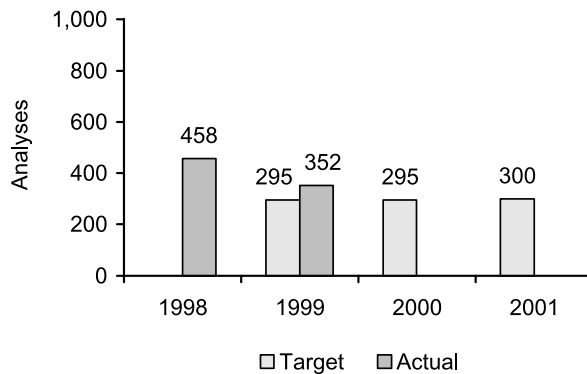
Data Validation and Verification

Data source: The analytical products are written reports, which are forwarded to the requester and are available for review and assessment.

Frequency: Annual

Data storage: The Office of Strategic Industry and Economic Security (OSIES) collects and stores the data. Several databases are involved.

Number of Strategic Industry Analyses



FY 1999 Program Evaluation for BXA Performance Goal 3

BXA coordinated Defense Trade Advocacy efforts that were instrumental in garnering sales of more than \$4 billion in Greece and Singapore.

BXA completed a research project, *Statistical Handbook of the Ball and Roller Bearing Industry*. The handbook is the result of a partnership between BXA and the American Bearing Manufacturers Association (ABMA). The project was initiated at a bearing forum held at the Department of Commerce in June 1997, and was subsequently coordinated with ABMA's Statistical Committee. The handbook places into a single reference volume the most useful publicly available statistics about the industry and answers a longstanding call for such information.

Defense Priorities and Allocations System support for the North Atlantic Treaty Organization (NATO) Operation Allied Force in the Balkans continued with a successful effort to expedite the production and delivery of component parts and materials for the U.S. Air Force (USAF) Joint Direct Attack Munition (JDAM) produced by Boeing. BXA staff worked closely with nine Boeing subcontractors to accelerate deliveries. In addition, two of these subcontractors, Rockwell-Collins and Honeywell, requested BXA assistance with their suppliers. Accordingly, five Rockwell-Collins' suppliers and 14 lower-tier electronic parts vendors to Honeywell's supplier, General Dynamics, were contacted to obtain accelerated deliveries of production materials. BXA efforts saved up to two months of delivery lead-time that enabled Boeing to meet USAF delivery requirement for 1,320 JDAMs.

BXA was successful in blocking a proposed U.S. Navy transfer of 48 Mk 46 torpedoes from the Excess Defense Articles stockpile to Greece. The transfer would have had a serious impact on manufacturer Raytheon's marketing of torpedoes and upgrades in Greece. As a result of BXA intervention, the U.S. Navy will withdraw the Excess Defense Articles request and the Raytheon torpedoes will be sold to Greece.